

PROVISION OF TERMINAL AIR NAVIGATION SERVICES (TANS) IN THE UK – CALL FOR EVIDENCE

CAP 1226

RESPONSE FROM CARDIFF AIRPORT

Motivation behind the choice of a closed process

1. Please describe your motivation for re-contracting rather than holding an open tender

a. Did you have specific aims that you were hoping to achieve?

Aims for future provisions of Air Traffic Services were outlined in a paper presented to abertis Airport's EXCO via Group Ops Director and Business Development Director. Key objective was that any future ATC contract maximised to the fullest possible extent technological advances and creative working practices to ensure the most efficient and cost-effective means of delivering ATS at the Airport. Concept 10yr plan developed to form the basis of future contract. (Attached paper)

b. What were the key issues identified that factored in your decision not to hold an open tender?

Previous contract with NATS was due to expire on 31st March 2013 and serious consideration of approach for a replacement contract began in 2012. At that time CWL was part of the abertis Airports Group, along with LTN and BFS in the UK – all of whom had ATC contracts with NSL. The LTN ATC contract was subject to an open tender in 2012 and the results of that exercise persuaded abertis that BFS and CWL would re-negotiate their contracts with NSL rather than enter into an open tender competition. The LTN tender had resulted in only 2 compliant bids (NATS and Peel Group). NATS won on price with a significant difference between the 2 bidding companies. Abertis therefore considered that having tested the market with LTN, it would not repeat the tender process with its other 2 airports, but would instead enter into re-negotiation with the incumbent ANSP – NSL. There was however, an option to tender the CWL and BFS contracts if negotiations with NSL did not deliver a cost-effective solution for the Airports.

For CWL, the previous contract expiring on 31st March 2013 caused some difficulties as it coincided with a period of due diligence for the purchase of the Airport by the Welsh Government. As a result the existing contract was extended until 31st March 2014, with an option for a further 12 months to transition the contract to another service provider if this was required. It was decided by the new Board that the process of re-negotiation that had started under the previous ownership – with an option to go to tender if NSL did not deliver a cost-effective solution – would continue.

Summary on decision –making process provided to CIAL Board – see attached note

c. To what extent did you involve the airline community with your decision making?

CWL's airline community was kept fully informed of the process through the Airport's AOC.

Whether and to what extent market testing took place prior to or during the bid

1. Please describe the process that you have undertaken to:

a. Assess your options

Review of recent procurement activity in the industry.
Review of legal implications of closed process versus holding an open tender
Discussion with Northstart/Cyrrus to evaluate options for a tender process

b. Re-negotiate

Abertis proposed to NSL that CWL enter into a Heads of Terms for a sole source agreement for the duration of the negotiation. However, NSL rejected this – felt it was not required and could actually disadvantage the Airport. Instead they proposed that NSL generated a proposal for the Airport and if this proved to be unacceptable, then the Airport could elect at that stage to instigate an open tender competition.

2. Did you undertake any form of market testing activities? This may have included:

a. Discussion with the incumbent ANSP

b. Discussion with alternative ANSPs – please list the alternative ANSPs that you had discussions with and provide their contact details.

c. Desk-based research into alternative ANSPs – please provide an overview of the approach taken to desk research and summary results of the process

See above – experience from LTN tender and information from open-source on other procurement activity at other UK airports.

3. Did you undertake any cost challenge activities with the incumbent? Particularly activities undertaken to

a. Understand the cost of provision

b. Understand the level of service

NATS provided summaries of their proposal at formal presentations to CWL. These were followed by a series of detailed workshops attended by NATS Cardiff team and CWL operations staff looking in detail at cost of provision and also level of service.

An initial strawman proposal from NATS was rejected by the Airport due to our concerns regarding operational and business continuity risk. This proposal would have resulted in a very lean establishment focussed on maximised efficiency that just met regulatory compliance and our predicted capacity requirement. The key change would have been the removal of the majority of the ATSA presence

NSL then reviewed the operation and the proposal and following a major review of working practices, were able to present a proposal that was just as cost effective, but had significantly more resilience in terms of service provision

Negotiation process with the incumbent ANSP

1. Please describe the nature of the negotiation with the incumbent
2. How did you form the request for the re-negotiation?
3. What criteria were used for assessing the proposal?
4. Did you have criteria under which your approach may have changed following an unsatisfactory negotiation?

Question 1 and 2 answered above.

Question 3 & 4 - See summary of decision-making process

Future

1. Please outline the key terms of your contract, including but not limited to overall cost, end date, break point arrangements, treatment of operational assets not owned by the airport and treatment of key safety documentation such as the MATS Pt 2

[X]

2. Based on your experience of re-negotiation and the other market developments that are taking place what do you consider are likely to be your action at:

- a. The break point

N/A

- b. End of contract

Review of competition in the market.

Review of progress made with the aims of the current contract with regard to implementation of technological advances and creative working practices

Review of recent procurement activity across the industry

3. How likely are you to tender in the future? What changes in the market would make you more likely to tender?

Would need to be convinced that the cost of a tendering process would be justified in terms of competition and likelihood of credible bids

Evidence of credible competition with other service providers gaining a stronger foothold in the market

Evidence of implementation of more creative working practices eg: combined ATS provision across multiple airport sites; growing use of combined radar sources